

**Jessamine County Board of Education
Nicholasville, Kentucky**

**Audited Financial Statements
and Other Financial Information**

June 30, 2004

**JESSAMINE COUNTY BOARD OF EDUCATION
JUNE 30, 2004**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Government Funds	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes In Fund Balances - Government Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Government Funds to The Statement of Activities	19
Budgetary Comparison Schedule General and Special Revenue Funds	20
Statement of Net Assets - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Statement of Fiduciary Net Assets - Fiduciary Funds	24
Notes to Financial Statements	25-42

**JESSAMINE COUNTY BOARD OF EDUCATION
JUNE 30, 2004**

TABLE OF CONTENTS - CONTINUED

	<u>Page</u>
Supplemental Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund	45
Combining Statement of Receipts, Disbursements - School Activity Funds	46
Combining Statement of Receipts, Disbursements, and Fund Balances - West Jessamine County High School Activity Fund	47
Combining Statement of Receipts, Disbursements, and Fund Balances - The Providence School Activity Fund	48
Combining Statement of Receipts, Disbursements, and Fund Balances - East Jessamine County High School Activity Fund	49
Schedule of Expenditures of Federal Awards	50
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51-52
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	53-54
Schedule of Findings and Questioned Costs	55-56
Schedule of Prior Year Findings	57
Corrective Action Plan	58-59
Management Letter	60-71

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Jessamine County Board of Education
Nicholasville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jessamine County Board of Education as of and for the year ended June 30, 2004, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2004, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004 on our consideration of the Jessamine County Board of Education's internal control over financial reporting and a report dated October 15, 2004, on our tests of its compliance with certain provisions of law, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying supplemental information on pages 43 to 49 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 50 is presented for purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplemental information and the schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 15, 2004

**JESSAMINE COUNTY SCHOOLS, NICHOLASVILLE, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

Management of the Jessamine County Board of Education (Jessamine County Schools) has prepared this section as a narrative overview and analysis of the financial activities of the Jessamine County Schools. This section is to be considered with the information found in the body of the audited financial report. This perspective is provided for the benefit of the financial report readers pursuant to rules of the Governmental Accounting Standards Board.

Jessamine County

Jessamine County is located within the Bluegrass Region of Kentucky sharing along its northern boundary a border with Lexington, Fayette County, Kentucky. As the Lexington area has continued to grow and much of Lexington's urban services area has been developed, considerable growth has been absorbed by neighboring counties, including Jessamine County.

Jessamine County's population increased 28% from 1990 to 2000 to 39,041 people according to the U.S. Census Bureau. Within Jessamine County's land area of 173 square miles, US 27, a four-lane highway, and US 68, currently being widened to four lanes, serve as the two most significant routes between Jessamine and Fayette Counties. Development is conspicuous along the county line, and is also found within the county. Nicholasville, the county seat, is among the fastest growing cities and towns in Kentucky.

Enrollment in Jessamine County Schools continues to increase, from 6,558 children at the end of the 2002 school year, to 6,624 at the end of the 2003 school year, to 6,707 at the end of the 2004 school year. Jessamine County Schools is committed to cultivate caring learning environments that motivate and challenge all students to think, learn, and perform at high levels. The school district shares the Commonwealth's goal of proficiency or beyond by 2014.

Financial Highlights

The financial condition of the Jessamine County Schools improved during Fiscal Year 2003-2004 (FY 2004) despite weakness in the state and national economy.

- Total Governmental Fund revenues exceeded \$50 million.
- The school district began FY 2004 on July 1, 2003 with a cash balance of more than \$5.1 million. During the fiscal year, cash increased by roughly \$1.8 million to over \$6.9 million by June 30, 2004. As a part of these totals, the General Fund cash balance increased about \$450,000 from over \$2.8 million to a bit less than \$3.3 million; the combined FSPK Building Fund and Construction Fund cash balance increased more than \$1.2 million to over \$2.6 million at June 30, 2004.
- The assets of the Jessamine County Schools exceeded its liabilities at the close of FY 2004 by \$18,182,675 (net assets). This is an increase of about \$1.8 million over the adjusted FY 2003 ending net asset balance of \$16.4 million. This increase is correlated to the increased cash balance previously mentioned.

**JESSAMINE COUNTY SCHOOLS, NICHOLASVILLE, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

Financial Highlights (continued)

- As a growth district, Jessamine County Schools has levied additional property taxes to provide funding for facilities. The Commonwealth provides matching funds. Current Construction Fund projects in process or planned include:

West Jessamine High School Athletic Facilities
East Jessamine High School Athletic Facilities
Hattie C. Warner Elementary School Renovation
East Jessamine Middle School Renovation
West Jessamine High School Auditorium Addition and Renovation
Brookside Elementary School Addition and Renovation
Nicholasville Elementary School Renovation
Rosenwald-Dunbar Elementary School Renovation
West Jessamine Middle School Addition and Renovation
East Jessamine High School Addition and Renovation
Jessamine County Vocational/Technical School (Technology Center)

Additional information is available in the District Facility Plan as prepared and amended by the Local Planning Committee.

- At the end of FY 2004, unreserved fund balance for the General Fund was \$3,108,430, or 7.96% of total General Fund expenditures (virtually the same as the 7.94% at the end of FY 2003), and 5.86% of the total expenditures of the General, Special Revenue, Capital Outlay, FSPK Building, and School Food Service Funds combined (down from FY 2003's 6.01%).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Jessamine County Schools. There are three components to these statements: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Jessamine County Schools' finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the assets and liabilities of the Jessamine County Schools, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

JESSAMINE COUNTY SCHOOLS, NICHOLASVILLE, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

Overview of the Financial Statements (continued)

The statement of activities presents information showing how the school district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 14 - 15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Jessamine County Schools, like other school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund reporting is the type of presentation that has been found in past financial reports and continues to be required reporting. All of the funds of the Jessamine County Schools can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a school district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Jessamine County Schools maintains several individual governmental funds. Information is presented separately for the General Fund and Special Revenue Fund. The Capital Outlay, FSPK Building Fund, Debt Service Fund and Construction Fund are aggregations combined into a single presentation as "Other Governmental Funds" on page 16.

Individual presentation for each of these nonmajor governmental funds is in the form of combining statements on pages 43 and 44.

**JESSAMINE COUNTY SCHOOLS, NICHOLASVILLE, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

Overview of the Financial Statements (continued)

The Jessamine County Schools adopts an annual appropriated (working) budget for its governmental funds. A budgetary comparison schedule may be found for the district's governmental funds to demonstrate compliance on page 20.

The basic governmental fund financial statements can be found on pages 16 - 20 of this report.

Proprietary funds. The Jessamine County Schools maintains one proprietary fund, its School Food Service Fund. The School Food Service Fund is an Enterprise Fund, used to report the same functions presented as business-type activities in the government-wide financial statements. Another type of Proprietary Fund is an Internal Service Fund, used to accumulate and allocate costs internally among an entity's various functions. Jessamine County Schools does not have any Internal Service Funds.

The basic proprietary fund financial statements can be found on pages 21 – 23 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of others – not the school district. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the directives of the Jessamine County Board of Education. The fiduciary funds of the Jessamine County Schools are the Internal (Activity Fund) accounts of the individual schools.

The basic fiduciary fund financial statements can be found on page 24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 42 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the Jessamine County Schools, assets exceeded liabilities by \$18,182,675 at the end of FY 2004 (see page 14 – Total Net Assets).

The Invested in Capital Assets, net of Related Debt (e.g., land, buildings, computer technology and related equipment, school buses, cafeteria and other equipment less any related debt that is still outstanding) totaled \$12,107,939 at the end of FY 2004, or 66.6% of Total Net Assets. This amount is recorded based on historic cost principles, the accepted financial reporting measure used primarily because it can be objectively determined. Long-held assets such as land or buildings may have current values that differ significantly from asset values reported at historic cost. It should also be noted that the Jessamine County Schools uses its capital assets to provide educational and related services primarily to the children of the county (there are adult programs);

**JESSAMINE COUNTY SCHOOLS, NICHOLASVILLE, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

Government-wide Financial Analysis (continued)

consequently, these assets are not available for future spending, and the resources needed to repay the related debt must be provided from other sources for the capital assets themselves are not to be used to liquidate these liabilities.

Restricted Net Asset amounts include \$1,164,082 (or 6.4% of Total Net Assets) in the FSPK Building Fund for Capital Projects; \$516 for Debt Service (0.0%); and for Other Purposes: in the General Fund, \$327,399 (1.8%) escrowed for accrued sick leave payable (30% of the value of employee accrued sick leave is payable at retirement), and the entire balance of net assets in the School Food Service Fund, \$1,140,346 (6.3%), is restricted for use in the School Food Services Fund. The remaining \$3,442,393 (18.9%) is unrestricted.

Governmental and Business-type activities. Governmental activities increased the Jessamine County Schools' net assets by \$1,665,326, or 93% of the total growth in the net assets for the fiscal year. The key element to this increase is the increase in cash.

Business-type activities, namely School Food Service, increased the Jessamine County Schools' net assets by \$127,360, accounting for 7% of the total growth in the school district's net assets.

This increase consists of fiscal year operating income of \$115,073 and non-operating interest income of \$12,287.

Net Assets by Type of Activity, June 30, 2004

	Governmental	Business- type	Total
Assets:			
Current and other assets	\$7,847,309	\$1,140,346	\$8,987,655
Capital assets	43,409,435	355,562	43,764,997
Total assets	<u>\$51,256,744</u>	<u>\$1,495,908</u>	<u>\$52,752,652</u>
Liabilities:			
Current Liabilities	\$3,553,158	\$0	\$3,553,158
Non-current Liabilities	31,016,819	0	31,016,819
Total Liabilities	<u>\$34,569,977</u>	<u>\$0</u>	<u>\$34,569,977</u>
Net assets:			
Investment in capital assets, net of related debt	\$11,752,377	\$355,562	\$12,107,939
Restricted	1,491,997	1,140,346	2,632,343
Unrestricted	3,442,393	0	3,442,393
Total net assets	<u>\$16,686,767</u>	<u>\$1,495,908</u>	<u>\$18,182,675</u>

**JESSAMINE COUNTY SCHOOLS, NICHOLASVILLE, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

Government-wide Financial Analysis (continued)

The following table compares categories of expenditure from FY 2003 to FY 2004:

Governmental Activities Expenditure by Function Fiscal Years 2003 and 2004			
	Fiscal Year 2003	Fiscal Year 2004	% change
Instruction	\$26,932,262	\$29,817,165	10.7%
Support Services:			
Student	1,854,433	1,706,859	-8.0%
Instructional Staff	1,993,758	1,690,131	-15.2%
District Administration	287,117	288,317	0.4%
School Administration	2,377,022	2,421,334	1.9%
Business	916,872	918,187	0.1%
Plant Operations and Maint.	3,403,310	3,646,947	7.2%
Student Transportation	2,843,323	2,672,605	-6.0%
Central Office	820,463	812,217	-1.0%
Non-instructional	611,774	796,663	30.2%
Facilities Acq. & Construct'n	35,653	73,465	106.1%
Interest on Debt	1,350,284	2,449,264	81.4%
Depreciation	2,112,550	2,035,742	-3.6%
Total Governmental Activities	<u>\$45,538,821</u>	<u>\$49,328,896</u>	<u>8.3%</u>

The increase to Instruction is due primarily to increased payroll and benefit costs, the additional sick leave expense necessary to increase the sick leave liability account for the earned payout that is payable upon retirement, and the increased cost of state retirement and health insurance paid on-behalf of the local school district. Other costs related to Instruction, as a whole, decreased slightly.

Student and Instructional Staff Support Services decreased due to reclassification of payroll expense as Special Education Instruction rather than as Therapy Services, and more spent toward computer equipment and less for textbooks and other types of books and periodicals. Also, expenses corresponding to State on-behalf payments were allocated differently between categories.

Plant Operations and Maintenance increased for FY 2004 over FY 2003 as this category had taken budget cuts in past years and maintenance put off a year or two became necessary. Student Transportation for FY 2003 includes the lease purchase expense that for FY 2004 is included in Interest on Debt. The FY 2004 KISTA payment was \$558,950.

**JESSAMINE COUNTY SCHOOLS, NICHOLASVILLE, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

Government-wide Financial Analysis (continued)

The Non-instructional cost increased as a result of recording the cost of state retirement and health insurance for School Food Service employees in the General Fund rather than in the School Food Service Fund. Facilities Acquisition and Construction Costs increased due to an increase in expenditure for maintenance-related non-capitalized equipment and facilities costs. Debt Service increased, in part, due to a change in recording KISTA lease payments as Interest on Debt expense rather than as a Student Transportation expense.

Financial Analysis of the Government's Funds

Governmental funds. The focus of the Jessamine County Schools' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Jessamine County Schools' financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2004, the Jessamine County Schools governmental funds reported a combined fund balance of \$6,365,494, an increase of \$1,720,195 from the previous fiscal year. Approximately 48.8% of this total amount, \$3,108,430, constitutes unreserved fund balance of the General Fund; and 5.1% of the total, or \$327,399, is reserved for sick leave earned and payable at retirement. The General Fund is the chief operating fund of the Jessamine County Schools. The remainder of the combined total governmental fund balance, \$2,929,665, or 46.0% of the combined total, is found in funds restricted to meeting the school district facility needs and funding the related debt service (for more detail, see the Combining Balance Sheet on page 43). Each of these fund balance amounts reflects increases from the previous fiscal year.

The combined fund balance of \$6,365,494 is a increase of more than \$1.7 million in comparison with the prior year. Key elements to this increase are as follows:

- Jessamine County, as a Kentucky "growth district", has increased FSPK Building Fund revenue by levying additional property tax. The state provides matching revenue. This significantly improves the district's ability to fund capital projects as the county's population and school enrollment increase. During FY 2004, most of the facility-related projects were either in the planning stages or early in the construction or renovation stage; therefore, it was possible for revenue to outstrip expenditure.
- The General Fund, for fiscal year 2004, had total revenues of \$39,594,801 and total expenditure of \$39,063,283 resulting in a increase of \$531,518. Reduce this amount by the net amount of other financing uses of \$58,657 and the surplus of revenues over expenditures for the year is \$472,861. This surplus, the first in several years, increased the General Fund fund balance from \$2,962,968 at the end of fiscal year 2003, to \$3,435,829 at the end of fiscal year 2004.

**JESSAMINE COUNTY SCHOOLS, NICHOLASVILLE, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

Financial Analysis of the Government's Funds (continued)

Proprietary Funds. The Jessamine County Schools' Food Service Fund, the district's only proprietary fund, had net operating income for fiscal year 2004 of \$115,073 and a total net income of \$127,360. Increases reflected in fiscal year 2004 over fiscal year 2003 include an increase of \$82,156 (7.6%) to \$1,164,457 in federal grants and an increase of \$21,557 (17.8%) to \$142,357 in federal commodities provided. Lunchroom sales increased 1.9% year over year from \$910,646 for fiscal year 2003 to \$928,023 for fiscal year 2004, but remains less than fiscal year 2002 lunchroom sales of \$946,406.

The decline in lunchroom sales during fiscal year 2003 was impacted by "disaster" days (snow days, etc.) the state forgave, reducing the usual calendar of 175 days to 170, or five fewer days – a 2.9% reduction of class days during fiscal year 2003 compared to both fiscal years 2002 and 2004. Student lunch prices have not increased in at least five years.

Comparing School Food Service expense of fiscal year 2004 to fiscal year 2003, salaries and wages increased \$69,678 or 8.1%. In addition to regular annual increases, additional payroll costs were incurred for breakfast school monitors at the elementary schools (to encourage participation in the school breakfast programs); the expense of five days added back to fiscal year 2004 (from 2003's "disaster" days); increased costs for substitute personnel; and increased costs for workers' compensation insurance and other payroll-related expenses.

School Food Service contract service expense increased substantially due to: (1) the cost of implementation of an improved payment system that increased contract service expense by \$17,000; (2) increased effort toward repairs and maintenance in the school cafeterias, costing an additional \$25,000; (3) cleaning costs increased almost \$4,000; and (4) the cost of hauling commodities increased about \$1,800. The increase in Property expense is primarily due to the cost of equipment related to the improved payment system. Lunchroom tables were also purchased.

General Fund Budgetary Highlights

Jessamine County Schools had a good year – at least budget-wise. As found on page 20, General Fund fund balance increased \$472,861. Differences between the original (working) budget, and the final amended budget as compared to the final expenses are substantial, but do not alter the bottom line. Following Kentucky Department of Education instructions, the state share of payments for retirement and health insurance paid on-behalf of the local schools districts was not budgeted in FY 2004.

JESSAMINE COUNTY SCHOOLS, NICHOLASVILLE, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

General Fund Budgetary Highlights (continued)

Following are the non-budgeted on-behalf related expenses:

<i>Instruction</i>	\$4,197,759
<i>Student Support Services</i>	187,955
<i>Instructional Staff Support Services</i>	159,440
<i>District Administrative Support Services</i>	23,809
<i>School Administrative Support Services</i>	311,384
<i>Business Support Services</i>	98,279
<i>Plant Operations and Maintenance</i>	177,530
<i>Student Transportation</i>	404,431
<i>Non-Instructional</i>	74,802
<i>Other</i>	<u>201,556</u>
Total	<u>\$5,836,945</u>

This will continue in FY 2005. Recording the actual expense is necessary for complete financial reporting. As a part of each district's working budget, the state requires, and has required for some years, a contingency of at least two percent of government-wide expenditure excluding construction funds. Not included in the working budget are the amounts paid by the state on-behalf of local districts – to include these on-behalf payments would require a larger contingency.

The on-behalf expense of \$5,836,945 is offset with a revenue entry of like amount to recognize the state paid costs for these on-behalf payments. The on-behalf revenue is included in the revenue line "Intergovernmental Revenue – State" on page 18 as part of the \$26,468,987 Actual General Fund revenue and it represents the bulk of the \$5,909,786 favorable variance. See also Note 17 on page 42.

Capital Asset and Debt Administration

Capital Assets. The Jessamine County Schools' total investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$43,764,994 (net of accumulated depreciation), an increase of approximately \$225,000 from June 30, 2003. Detailed information, including changes during FY 2004, is available in Note 3 – Capital Assets on page 34. Investment in capital assets includes land, buildings, computers and other technology, school buses and other vehicles, and other equipment.

During FY 2004, several of the district's construction and renovation projects had begun, resulting in Construction in Progress as of June 30, 2004 of \$1.05 million. The cost of these projects is currently funded from FSPK Building Fund resources, though eventually bond sale proceeds will be used to cover the cost of at least some of these projects.

**JESSAMINE COUNTY SCHOOLS, NICHOLASVILLE, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

Capital Asset and Debt Administration (continued)

Eleven buses were purchased during FY 2004. Financing for these buses is through the KISTA (Kentucky Interlocal School Transportation Association) Equipment Lease Program. More information about the KISTA program is found in Note 4 on page 35.

Additional information about capital assets can be found in notes 1, 3 and 4 beginning on page 31 of this report.

Long-term debt. At the end of fiscal year 2004, the Jessamine County Schools had total bonded debt outstanding of \$29,406,762, a decrease of \$1.2 million from a year earlier. During FY 2004, no additional bonded debt was issued. The district did participate in the KISTA program to purchase eleven school buses.

Additional information on the Jessamine County Schools' capital lease and long-term debt programs can be found in note 4, beginning on page 35 of this report.

Economic Factors and Next Year's Budget

During Fiscal Year 2003-2004 (FY 2004), the state and national economy continued to be weak, though possibly improving as the school year ended. The state, the primary source of school district revenue, began the new fiscal year with the Governor's Spending Plan, not a state budget. The Governor has asked school districts provide 1.5% of the 2.0% increase to FY 2005 school district salary schedules. Considering the present economy and the demands on school district budgets, school districts must be particularly conservative managers of financial resources.

The District's General Fund improved during FY 2004 for the first time in several years. Going into FY 2005, the District decreased contract days and other staff allocations as a measure to conserve General Fund financial resources. There is hope the economy is improving. Certain costs may increase considerably during FY 2005 – particularly costs dependent on the price of oil and natural gas, such as diesel fuel for school buses; electricity and natural gas to heat school facilities; and the costs of goods impacted by transportation costs, including food and various supplies. The District is looking for opportunities to enhance revenue as well as hold the line on expenses.

Jessamine County growth will require additional facilities. Funding for Capital Projects is expected to be sufficient thanks to the additional local property tax and state matching funds dedicated to facilities construction and renovation. In addition to concerns about the increasing price of oil and natural gas, the price of steel is expected to impact construction project bid amounts. The interest rate and therefore the cost of debt to fund construction projects continues to be near historically low levels, which will be helpful in funding construction projects, so long as the rates continue to be relatively low.

**JESSAMINE COUNTY SCHOOLS, NICHOLASVILLE, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

Requests for Information

This financial report is designed to provide a general overview of the Jessamine County Schools' finances for all those with an interest the school district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, Jessamine County Schools, 871 Wilmore Road, Nicholasville, Kentucky 40356.

JESSAMINE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2004

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 5,896,518	\$ 1,085,238	\$ 6,981,756
Accounts receivable		695	695
Taxes	712,898	0	712,898
Accounts	133,370	0	133,370
Intergovernmental - State	46,340	0	46,340
Intergovernmental - Federal	765,568	0	765,568
Prepaid expenses	292,615	0	292,615
Inventory	0	54,413	54,413
Total Current Assets	7,847,309	1,140,346	8,987,655
Noncurrent Assets			
Net capital assets	43,409,435	355,562	43,764,997
Total Noncurrent Assets	43,409,435	355,562	43,764,997
TOTAL ASSETS	\$ 51,256,744	\$ 1,495,908	\$ 52,752,652
LIABILITIES:			
Current Liabilities			
Accounts payable	370,925	0	370,925
Bank overdraft	35,450	0	35,450
Accrued interest	480,336	0	480,336
Note payable	5,247	0	5,247
Current portion of bond obligations	1,520,000	0	1,520,000
Current portion of lease obligations	345,954	0	345,954
Current portion of accrued sick leave	34,404	0	34,404
Deferred revenue	760,842	0	760,842
Total Current Liabilities	3,553,158	0	3,553,158
Noncurrent Liabilities			
Noncurrent portion of bond obligations	27,886,762	0	27,886,762
Noncurrent portion of lease obligations	1,899,093	0	1,899,093
Noncurrent portion of accrued sick leave	1,230,964	0	1,230,964
Total Noncurrent Liabilities	31,016,819	0	31,016,819
TOTAL LIABILITIES	34,569,977	0	34,569,977
NET ASSETS			
Invested in capital assets, net of related debt	11,752,377	355,562	12,107,939
Restricted for:			
Capital projects	1,164,082	0	1,164,082
Debt service	516	0	516
Other purposes (nonexpendable)	327,399	1,140,346	1,467,745
Unrestricted	3,442,393	0	3,442,393
TOTAL NET ASSETS	16,686,767	1,495,908	18,182,675
TOTAL LIABILITIES AND NET ASSETS	\$ 51,256,744	\$ 1,495,908	\$ 52,752,652

**JESSAMINE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 29,817,165	\$ 75,020	\$ 7,441,046	\$ 0	\$ (22,301,099)	\$ 0	\$ (22,301,099)
Support Services:							
Student	1,706,859	0	0	0	(1,706,859)	0	(1,706,859)
Instructional staff	1,690,131	0	0	0	(1,690,131)	0	(1,690,131)
District administration	288,317	0	0	0	(288,317)	0	(288,317)
School administration	2,421,334	0	0	0	(2,421,334)	0	(2,421,334)
Business	918,187	0	0	0	(918,187)	0	(918,187)
Plant operations and maintenance	3,646,947	0	0	0	(3,646,947)	0	(3,646,947)
Student transportation	2,672,605	0	0	0	(2,672,605)	0	(2,672,605)
Central office	812,217	0	0	0	(812,217)	0	(812,217)
Non-Instructional	796,663	0	0	0	(796,663)	0	(796,663)
Facilities acquisition and construction	73,465	0	0	0	(73,465)	0	(73,465)
Interest on long-term debt	2,449,264	0	0	0	(2,449,264)	0	(2,449,264)
Depreciation	2,035,742	0	0	0	(2,035,742)	0	(2,035,742)
Total Governmental Activities	49,328,896	75,020	7,441,046	0	(41,812,830)	0	(41,812,830)
Business-type Activities:							
Lunchroom sales	2,152,830	929,420	1,338,483	0	0	115,073	115,073
Total Primary Government	\$ 51,481,726	\$ 1,004,440	\$ 8,779,529	\$ 0	\$ (41,812,830)	\$ 115,073	\$ (41,697,757)
General Revenues:							
Taxes:							
Property					\$ 13,511,079	\$ 0	\$ 13,511,079
Motor vehicle					1,087,960	0	1,087,960
Utilities					2,063,289	0	2,063,289
Distilled spirits					100,446	0	100,446
Other taxes					2,378	0	2,378
State and formula grants					26,468,987	0	26,468,987
Interest and investment earnings					117,311	12,287	129,598
Gain(loss) on sale of fixed assets					7,175	0	7,175
Miscellaneous					119,531	0	119,531
Total General Revenues					\$ 43,478,156	\$ 12,287	\$ 43,490,443
Change in Net Assets					1,665,326	127,360	1,792,686
Net Assets June 30, 2003					15,354,818	1,368,548	16,723,366
Prior Period Adjustment					(333,377)	0	(333,377)
Net Assets June 30, 2003, restated					15,021,441	1,368,548	16,389,989
Net Assets June 30, 2004					\$ 16,686,767	\$ 1,495,908	\$ 18,182,675

See Auditor's Report and Accompanying Notes

**JESSAMINE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and cash equivalents	\$ 3,276,894	\$ 0	\$ 2,619,624	\$ 5,896,518
Accounts Receivable				
Taxes	375,738	0	56,965	432,703
Accounts	112,449	5,731	0	118,180
Intergovernmental - State	0	46,340	0	46,340
Intergovernmental - Federal	0	765,568	0	765,568
Other assets	2,683	0	289,933	292,616
Due from other funds	15,190	0	0	15,190
TOTAL ASSETS	\$ 3,782,954	\$ 817,639	\$ 2,966,522	\$ 7,567,115
LIABILITIES:				
Accounts payable	312,721	25,993	32,211	370,925
Bank overdraft	0	35,450	0	35,450
Accrued sick leave	34,404	0	0	34,404
Deferred revenue	0	756,196	4,646	760,842
TOTAL LIABILITIES	347,125	817,639	36,857	1,201,621
FUND BALANCES:				
Reserved for other purposes	327,399	0	1,164,598	1,491,997
Unreserved	3,108,430	0	1,765,067	4,873,497
TOTAL FUND BALANCES	3,435,829	0	2,929,665	6,365,494
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,782,954	\$ 817,639	\$ 2,966,522	\$ 7,567,115

**JESSAMINE COUNTY BOARD OF EDUCATION
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004**

Total Governmental Fund Balances	\$ 6,365,494
Amounts reported for governmental activities in the statement of net assets are different because:	
Accounts receivable from imposed nonexchange revenue transactions are not reported in the fund financial statements because they are not current available financial resources, but they are reported in the statement of net assets.	280,195
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	43,409,435
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net assets.	<u>(33,368,357)</u>
Net Assets of Governmental Activities	\$ <u><u>16,686,767</u></u>

JESSAMINE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 9,721,426	\$ 0	\$ 3,509,459	\$ 13,230,885
Motor vehicle	881,248	0	206,712	1,087,960
Utilities	2,063,289	0	0	2,063,289
Distilled spirits	73,325	0	27,120	100,445
Other	2,378	0	0	2,378
Tuition and fees	43,889	6,875	0	50,764
Earnings on investments	90,738	0	27,044	117,782
Student activities	0	0	0	0
Rental	23,501	0	0	23,501
Other local revenues	176,790	34,330	955	212,075
Intergovernmental - State	26,468,987	2,488,297	1,807,548	30,764,832
Intergovernmental - Indirect federal	49,230	3,562,436	0	3,611,666
TOTAL REVENUES	<u>39,594,801</u>	<u>6,091,938</u>	<u>5,578,838</u>	<u>51,265,577</u>
EXPENDITURES:				
Current:				
Instruction:	24,802,215	4,465,663	0	29,267,878
Support Services:				
Student	1,219,282	489,355	0	1,708,637
Instructional staff	1,250,003	454,929	0	1,704,932
District administration	285,430	7,952	0	293,382
School administration	2,411,346	17,108	0	2,428,454
Business	908,270	9,917	0	918,187
Plant operations and maintenance	3,536,149	144	149,689	3,685,982
Student transportation	3,126,839	27,353	0	3,154,192
Central office	584,822	280,144	0	864,966
Non-Instructional	177,853	417,255	0	595,108
Facilities acquisition and construction	750	0	1,140,253	1,141,003
Debt service	558,948	0	3,055,431	3,614,379
Other	201,376	0	0	201,376
TOTAL EXPENDITURES	<u>39,063,283</u>	<u>6,169,820</u>	<u>4,345,373</u>	<u>49,578,476</u>
Excess (Deficit) of Revenues over Expenditures	<u>531,518</u>	<u>(77,882)</u>	<u>1,233,465</u>	<u>1,687,101</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets/Bonds	19,225	0	0	19,225
Operating transfers in	0	77,882	4,427,968	4,505,850
Operating transfers out	(77,882)	0	(4,427,968)	(4,505,850)
TOTAL OTHER FINANCING SOURCES (USES):	<u>(58,657)</u>	<u>77,882</u>	<u>0</u>	<u>19,225</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	472,861	0	1,233,465	1,706,326
Fund balance June 30, 2003	2,962,968	0	1,682,277	4,645,245
Prior period adjustment	0	0	13,923	13,923
Fund balance June 30, 2003, restated	<u>\$ 2,962,968</u>	<u>\$ 0</u>	<u>\$ 1,696,200</u>	<u>\$ 4,659,168</u>
Fund balance June 30, 2004	<u>\$ 3,435,829</u>	<u>\$ 0</u>	<u>\$ 2,929,665</u>	<u>\$ 6,365,494</u>

See Auditor's Report and Accompanying Notes

**JESSAMINE COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,706,326
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues from imposed nonexchange revenue transactions are not reported in the fund financial statements because they are not available, but they are reported in the statement of net assets.	280,195
Gain or loss on the disposal of equipment is reported in the statement of activities, whereas in the government funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment.	(12,050)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(1,359,372)
Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.	(526,008)
Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net assets.	<u>1,576,235</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,665,326</u>

**JESSAMINE COUNTY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL FUND				SPECIAL REVENUE FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES:								
From local sources:								
Taxes:								
Property	\$ 9,395,058	\$ 9,395,058	\$ 9,721,426	\$ 326,368	\$ 0	\$ 0	\$ 0	\$ 0
Motor vehicle	958,341	958,341	881,248	(77,093)	0	0	0	0
Utilities	1,880,000	1,880,000	2,063,289	183,289	0	0	0	0
Distilled spirits	72,993	72,993	73,325	332	0	0	0	0
Other	2,000	2,000	2,378	378	0	0	0	0
Tuition and fees	40,000	40,000	43,889	3,889	0	0	6,875	6,875
Earnings on investments	80,000	80,000	90,738	10,738	0	0	0	0
Student activities	0	9,000	0	(9,000)	2	2	0	(2)
Community service activities	0	0	23,501	23,501	0	0	0	0
Other local revenues	47,317	92,811	176,790	83,979	24,338	72,155	34,330	(37,825)
Intergovernmental - State	19,763,847	20,559,201	26,468,987	5,909,786	2,212,839	2,312,676	2,488,297	175,621
Intergovernmental - Indirect federal	40,486	40,486	49,230	8,744	3,503,564	3,642,710	3,562,436	(80,274)
TOTAL REVENUES	<u>32,280,042</u>	<u>33,129,890</u>	<u>39,594,801</u>	<u>6,464,911</u>	<u>5,740,743</u>	<u>6,027,543</u>	<u>6,091,938</u>	<u>64,395</u>
EXPENDITURES:								
Current:								
Instruction:	21,066,056	21,295,154	24,802,215	(3,507,061)	4,340,833	4,395,257	4,465,663	(70,406)
Support Services:								
Student	1,142,331	1,098,597	1,219,282	(120,685)	456,247	493,253	489,355	3,898
Instructional staff	1,170,665	1,163,834	1,250,003	(86,169)	421,044	508,653	454,929	53,724
District administration	1,301,487	1,308,128	285,430	1,022,698	15,574	14,148	7,952	6,196
School administration	2,179,678	2,137,315	2,411,346	(274,031)	18,218	19,009	17,108	1,901
Business	847,917	810,722	908,270	(97,548)	2,653	7,404	9,917	(2,513)
Plant operations and maintenance	3,735,697	4,014,573	3,536,149	478,424	0	875	144	731
Student transportation	3,006,295	2,913,702	3,126,839	(213,137)	43,592	60,940	27,353	33,587
Central office	661,550	695,915	584,822	111,093	158,616	158,916	280,144	(121,228)
Non-Instructional	54,831	54,370	177,853	(123,483)	417,778	513,750	417,255	96,495
Facilities acquisition and construction	35,653	750	750	0		0	0	0
Debt service	0	558,948	558,948	0		0	0	0
Other	0	0	201,376	(201,376)		0	0	0
TOTAL EXPENDITURES	<u>35,202,160</u>	<u>36,052,008</u>	<u>39,063,283</u>	<u>(3,011,275)</u>	<u>5,874,555</u>	<u>6,172,205</u>	<u>6,169,820</u>	<u>2,385</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,922,118)</u>	<u>(2,922,118)</u>	<u>531,518</u>	<u>3,453,636</u>	<u>(133,812)</u>	<u>(144,662)</u>	<u>(77,882)</u>	<u>66,780</u>
OTHER FINANCING SOURCES (USES):								
Proceeds from sale of assets/bonds	0	0	19,225	19,225	0	0	0	0
Operating transfers in	0	0	0	0	133,812	144,662	77,882	(66,780)
Operating transfers out	<u>(77,882)</u>	<u>(77,882)</u>	<u>(77,882)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>(77,882)</u>	<u>(77,882)</u>	<u>(58,657)</u>	<u>19,225</u>	<u>133,812</u>	<u>144,662</u>	<u>77,882</u>	<u>(66,780)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(3,000,000)	(3,000,000)	472,861	3,472,861	0	0	0	0
Fund balance June 30, 2003	3,000,000	3,000,000	2,962,968	(37,032)		0	0	0
Prior period adjustment	0	0	0	0	0	0	0	0
Fund balance June 30, 2003, restated	\$ 3,000,000	\$ 3,000,000	\$ 2,962,968	\$ (37,032)	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance June 30, 2004	\$ 0	\$ 0	\$ 3,435,829	\$ 3,435,829	\$ 0	\$ 0	\$ 0	\$ 0

See Auditor's Report and Accompanying Notes

**JESSAMINE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004**

	<u>ENTERPRISE FUND</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 1,085,238
Prepaid expenses	695
Inventory	<u>54,413</u>
Total Current Assets	1,140,346
Noncurrent Assets	
Machinery & equipment	1,125,179
Accumulated depreciation	<u>(769,617)</u>
Total Noncurrent Assets	355,562
TOTAL ASSETS	\$ <u><u>1,495,908</u></u>
LIABILITIES:	
Current liabilities	\$ <u>0</u>
Noncurrent liabilities	<u>0</u>
TOTAL LIABILITIES	<u>0</u>
NET ASSETS:	
Invested in capital assets, net of related debt	355,562
Restricted for Other Purposes	1,140,346
Unrestricted	<u>0</u>
TOTAL NET ASSETS	<u><u>1,495,908</u></u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>1,495,908</u></u>

See Auditor's Report and Accompanying Notes

**JESSAMINE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	ENTERPRISE FUND
OPERATING REVENUES:	
Lunchroom sales	\$ 928,023
Federal grants	1,164,457
Federal commodities	142,357
State grants	31,597
Other operating revenues	1,469
TOTAL OPERATING REVENUES	<u>2,267,903</u>
OPERATING EXPENSES:	
Salaries and wages	926,633
Contract services	92,332
Materials and supplies	972,755
Property	91,434
Depreciation	69,676
TOTAL OPERATING EXPENSES	<u>2,152,830</u>
Operating income (loss)	115,073
NON-OPERATING REVENUES (EXPENSES)	
Interest income	12,287
NON-OPERATING REVENUES (EXPENSES)	<u>12,287</u>
Net income (loss) before operating transfers	127,360
Operating transfers	<u>0</u>
Change in net assets	127,360
Net Assets June 30, 2003	<u>1,368,548</u>
Total net assets June 30, 2004	<u><u>\$ 1,495,908</u></u>

See Auditor's Report and Accompanying Notes

**JESSAMINE COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>ENTERPRISE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 929,492
Cash received from federal & state govt.	1,353,897
Cash paid to suppliers	(1,070,389)
Cash paid to employees	<u>(1,018,965)</u>
Net Cash Provided (Used) by Operating Activities	<u>194,035</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	12,287
Purchase of fixed assets	<u>(65,918)</u>
Net Cash Provided (Used) by Investing Activities	<u>(53,631)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	140,404
Cash and cash equivalents June 30, 2003	<u>944,834</u>
Cash and cash equivalents June 30, 2004	<u><u>\$ 1,085,238</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 115,073
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:	
Depreciation	69,676
Changes in Assets and Liabilities:	
Accounts receivable	15,486
Prepaid expenses	(695)
Inventories	(2,893)
Accounts payable	<u>(2,612)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 194,035</u></u>

See Auditor's Report and Accompanying Notes

**JESSAMINE COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004**

	<u>ACTIVITY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 362,368
Accounts receivable	<u>4,593</u>
 TOTAL ASSETS	 \$ <u>366,961</u>
 LIABILITIES:	
Accounts payable	6,049
Due to other funds	<u>15,190</u>
 TOTAL LIABILITIES	 <u>21,239</u>
 NET ASSETS	
Held in trust for other purposes	\$ <u><u>345,722</u></u>

See Auditor's Report and Accompanying Notes

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

A. REPORTING ENTITY

The Jessamine County Board of Education (Board) is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Jessamine County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all the funds and account groups relevant to the operation of the Jessamine County School District. The financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself, such as Booster Clubs, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Jessamine County School District Finance Corporation - In 1991, the Jessamine County Board of Education resolved to authorize the establishment of the Jessamine County School District Finance Corporation (a non-stock, non-profit corporation organized under Section 162.385 of the School Bond Act and Chapter 273 and KRS 58.180) as an agency of the Board for financing school building improvements. The Board members of the Jessamine County Board of Education also comprise the corporation's Board of Directors.

B. BASIS OF PRESENTATION

The Board's basic financial statements consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

B. BASIS OF PRESENTATION (continued)

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Board and for each function or program of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

C. FUND ACCOUNTING

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds. A description along with the restrictions associated with each class of funds are as follows:

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

C. FUND ACCOUNTING (continued)

1. Governmental Fund Types

The **General Fund** is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Most receipts of the Board (other than school activity funds, lunchroom sales, and bond proceeds) are deposited into the General Fund initially. Any monies received that are designated for another fund are transferred from the General Fund to the designated fund.

The **Special Revenue Fund** accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Federal Financial Assistance included in this report.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The following are Capital Project Funds:

- a) SEEK Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions.
 - b) The FSPK Fund accounts for funds collected for property taxes, a percentage of which are transferred from the General Fund for debt service.
 - c) The Construction Fund includes Capital Project Fund Accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
2. The **Debt Service Fund** is a debt service fund used to account for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

C. FUND ACCOUNTING (continued)

3. The **Proprietary Fund** is the Lunchroom Fund which accounts for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture ("USDA").
4. **Fiduciary Fund Types** consist of the following:
 - a) The Activity Fund consists of agency funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Accounting Procedures For School Activity Funds.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an "economic resources" measurement focus as described above.

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

In the Government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues from local sources consist primarily of property taxes. Property taxes collected are recorded as revenues in the fund for which they were levied. Revenue is recognized when susceptible to accrual. Miscellaneous revenues are recorded on the same basis, if measurable. Investment earnings are recorded as earned since they are measurable and available.

Grant funds which are recorded in the special revenue fund as restricted funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

E. BUDGETARY PROCESS

The Board is required by state law to adopt annual budgets for the general fund, special revenue fund, debt service and capital projects funds. Each budget is presented on the modified accrual basis of accounting which is a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is revenues and expenses are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The Board is required to formally and publicly examine estimated revenues and expenditures (draft budget) for the subsequent fiscal year by January 31 of each calendar year.
2. The Board is required to make an allocation to school councils by March 1 of each year which shall include the amount of certified and classified staff based on the district's staffing policy and related expenditures.
3. The Board is required to adopt a tentative working budget for the subsequent fiscal year by May 15 of each calendar year. The budget must contain a minimum 2% reserve based on the district's total budget.
4. The Board is required to adopt a final working budget and submit it for KDE approval by September 30 of each calendar year.

The Budget is controlled by the Superintendent and Director of Finance. Budgeted amounts can be amended by majority vote of the members of the Board. The approval of the budget and the amendments are reflected in the official minutes of the Board. All budget appropriations lapse at year end.

F. ENCUMBRANCES

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. The District did not have encumbrances as of June 30, 2004, therefore, there is no reservation of the fund balance equal to outstanding encumbrances at year-end. Accordingly, no differences exist between actual results and the reportable budgetary data presented in the accompanying combined financial statements.

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

G. INVENTORY

On government-wide financial statements inventories are stated at cost and are expensed when used. On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Buildings and improvements	25-50	years
Land improvements	20	years
Technology equipment	5	years
Vehicles	5-10	years
Audio-visual equipment	15	years
Food service equipment	10-12	years
Furniture and fixtures	7	years
Other	10	years

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

I. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

J. DEFERRED REVENUE

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned.

K. PREPAID ASSETS

Payments made that will benefit periods beyond June 30, 2004 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

L. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, accrued compensated absences, and a capital lease obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

M. INTERFUND TRANSFERS

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE 2 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the District's cash and cash equivalents was \$7,308,674 and the bank balance was \$11,401,777. Of the total cash balance, \$100,000 was covered by Federal depository insurance, with the remainder covered by collateral held by the pledging banks' trust departments in the Board's name. The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 2 - CASH AND CASH EQUIVALENTS (contd.)

The Board has pledged securities from National City Bank at a face amount of \$15,941,291. The pledged securities had a fair market value at June 30, 2004 of \$17,152,629. General Fund, cash and cash equivalents maintained at National City Bank had a bank balance of \$7,614,303 and a book balance of \$3,251,725 at June 30, 2004.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 7/01/03	Additions	Deletions	Balance at 6/30/04
Governmental Activities:				
Land	\$ 1,232,192	\$ 0	\$ 0	\$ 1,232,192
Land Improvements	3,165,863	26,723	0	3,192,586
Buildings Improvements	50,134,137	15,588	0	50,149,725
Technological Equipment	4,088,917	364,755	(484,390)	3,969,282
Vehicles	5,195,665	740,568	0	5,936,233
General Equipment	1,157,716	63,888	(3,500)	1,218,104
Construction in Progress	0	1,048,968	0	1,048,968
Total Historical Cost	64,974,490	2,260,490	(487,890)	66,747,090
Accumulated Depreciation	(21,794,003)	(2,019,492)	475,840	(23,337,655)
Capital Assets - Net	<u>\$ 43,180,487</u>	<u>\$ 240,995</u>	<u>\$ (12,050)</u>	<u>\$ 43,409,435</u>
Business Activities:				
Technological Equipment	\$ 43,403	\$ 46,321	\$ (1,448)	\$ 88,276
General Equipment	1,017,306	19,597	0	1,036,903
Total Historical Cost	1,060,709	65,918	(1,448)	1,125,179
Accumulated Depreciation	(701,389)	(69,676)	1,448	(769,617)
Capital Assets - Net	<u>\$ 359,320</u>	<u>\$ (3,758)</u>	<u>\$ 0</u>	<u>\$ 355,562</u>

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 3 - CAPITAL ASSETS (cont'd)

Depreciation Expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE 4 - CAPITAL LEASE AND BONDED DEBT OBLIGATIONS

Capital Leases

The amount shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to equipment lease revenue bonds (the "bonds") issued by the Kentucky Interlocal School Transportation Association ("KISTA") aggregating \$2,245,047 at June 30, 2004. These amounts are not reflected on the fund financial statements. The bonds were issued to provide funds for the purchase of school buses and equipment, and the lease of these buses and equipment by the Board from KISTA is the source of the Board's obligation. Upon full payment of the bonds and related interest, title to will be conveyed to the Board.

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2004:

Year Ending June 30,	Capital Lease Payable
2005	\$ 436,489
2006	437,057
2007	383,164
2008	374,986
2009	319,387
Thereafter	<u>655,400</u>
Total minimum lease payments	2,606,483
Less: amount representing interest	<u>361,436</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 2,245,047</u></u>

Bonded Debt

The Board, through the General Fund, the Construction Fund, the Building Fund, and the SEEK Capital Outlay Fund are obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Jessamine County School District Finance Corporation to construct school facilities. The Board has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 4 - CAPITAL LEASE AND BONDED DEBT OBLIGATIONS (cont'd)

In connection with the school revenue bonds issued after 1991, the Board entered into "participation agreements" with the Kentucky School Facility Construction Commission (KSFCC). The KSFCC was created by the Kentucky Legislature to assist local school districts in meeting school construction needs. The liability for the KSFCC portion of the bonds is reported in the State's financial statements, and as such is not reported by the Board. The original principal amount, issue dates, and interest rates are summarized below:

Issue	Original Principal Amount	Interest Rate	Principal Outstanding at June 30, 2004	Maturity Date
Dec 1, 1993	\$ 770,000	4.65%	\$ 475,000	Dec. 1, 2013
Jan 1, 1996	11,000,000	5.50%	10,905,000	Jan. 1, 2021
Jan 1, 1996	940,000	4.75-5.10%	225,000	June 1, 2006
Apr 1, 1998	4,280,000	4.50%	3,095,000	Jun. 1, 2006
Aug 1, 1999	7,700,000	4.75-5.00%	7,025,000	Aug. 1, 2020
Mar 1, 2001	7,635,000	4.00-4.50%	7,205,000	Jun. 1, 2019
May 1, 2002	1,835,000	3.00-4.90%	1,785,000	Jun. 1, 2022
Aug 15, 2002	3,290,000	1.20-2.25%	1,760,000	Dec. 1, 2006
	<u>\$37,450,000</u>		<u>\$32,475,000</u>	

The Board defeased a bond issue by issuing new debt and using the proceeds to purchase U.S. Government securities which were placed in an escrow fund. The investments and the fixed earnings from the investments in the escrow fund were sufficient to fully service the defeased debt which was called and paid in full in June of 2004. A summary of principal balances is as follows:

	Balance at July 1, 2003	Issued	Retired	Balance at June 30, 2004
Board	\$ 30,605,450	\$ 0	\$ 1,198,688	\$ 29,406,762
KSFCC	3,344,550	0	276,312	3,068,238
	<u>\$ 33,950,000</u>	<u>\$ 0</u>	<u>\$ 1,475,000</u>	<u>\$ 32,475,000</u>

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 4 - CAPITAL LEASE AND BONDED DEBT OBLIGATIONS (cont'd)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the KSFCC, at June 30, 2004 for debt service (principal and interest) are as follows:

YEAR	Jessamine County Board of Education		Kentucky School Facilities Construction Commission		TOTAL
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2005	1,234,068	1,384,582	285,932	134,045	3,038,627
2006	1,273,700	1,347,019	296,300	123,788	3,040,807
2007	1,192,422	1,296,753	307,578	112,620	2,909,373
2008	1,271,799	1,250,195	208,201	102,014	2,832,209
2009	1,326,821	1,194,213	218,179	92,160	2,831,373
2010	1,386,297	1,133,929	228,703	81,737	2,830,666
2011	1,444,559	1,068,711	245,441	70,707	2,829,418
2012	1,511,097	1,000,511	168,903	59,077	2,739,588
2013	1,590,333	928,130	159,667	50,586	2,728,716
2014	1,661,793	848,838	158,207	42,590	2,711,428
2015	1,748,230	766,348	136,770	35,658	2,687,006
2016	1,831,414	679,732	143,586	28,841	2,683,573
2017	1,926,087	587,654	128,913	21,646	2,664,300
2018	2,024,876	490,334	135,124	15,243	2,665,577
2019	2,128,160	386,915	141,840	8,527	2,665,442
2020	2,265,106	278,030	104,894	2,544	2,650,574
2021	2,385,000	166,375	0	0	2,551,375
2022	1,205,000	59,648	0	0	1,264,648
	<u>\$ 29,406,762</u>	<u>\$ 14,867,917</u>	<u>\$ 3,068,238</u>	<u>\$ 981,785</u>	<u>\$ 48,324,700</u>

The Board obtained a grant and loan from the Environmental Protection Agency in 1987 for asbestos removal. The loan portion of \$188,822 requires semiannual principal payments of \$5,247 for 18 years with no interest. The loan balance at June 30, 2004 is \$5,247 and is reported as a note payable in the governmental activities of the statement of net assets.

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 5 - COMMITMENTS

Operating Leases

The District leases equipment under operating lease agreements with terms of three to five years. The following is a schedule of future minimum lease payments as of June 30, 2004:

2005	28,707
2006	16,728
2007	0
2008	0
2008	<u>0</u>
Total	<u>\$ 45,435</u>

Construction Contracts

At June 30, 2004, the Board had the following commitments with respect to unfinished construction contracts:

<u>Project</u>	<u>Remaining Construction Commitment</u>
West Jessamine HS Fieldhouse	\$ 2,165,075
East Jessamine HS Fieldhouse	1,865,936
West Jessamine HS Renovation	65,228
East Jessamine HS Renovation	<u>2,275,614</u>
Total Construction Commitments	<u><u>\$ 6,371,853</u></u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied each September on the assessed value listed as of the prior January 1st, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending 30 days after the tax bill mailing.

The tax rates assessed for the year ended June 30, 2004 to finance general fund operations and special voted building fund were \$0.591 per \$100 valuation for real property and \$0.592 per \$100 valuation of personal property. The tax rate assessed on motor vehicles was .547 per \$100. The District levies a 3% utility tax on all businesses and households within the district.

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 7 - RETIREMENT PLAN

Certified employees are covered under the Kentucky Teachers Retirement System (KTRS). Funding for the plan is provided through payroll withholdings of 9.855% and matching state contributions. The matching contributions are paid by the federal program for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. Funding for the plan is provided through payroll withholdings of 5% and a Board contribution of 7.34% of the employee's total compensation subject to contribution.

The District's total payroll for the year was \$29,676,352. The payroll for employees covered under KTRS was \$21,957,268 and for CERS was \$7,719,084.

The contribution requirement for CERS for the year ended June 30, 2004 was \$949,535 which consisted of \$563,517 from the Board and \$386,018 from the employees. The Board has no contribution requirement to KTRS. The Board did remit to the KTRS for the year ended June 30, 2003 from employees of \$2,226,969.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases step-rate benefits that are estimated to be payable in the future as a result of employee service to-date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

	KTRS June 30, 2003	CERS June 30, 2003
Net assets available for benefits	\$ 13,863,800,000	\$ 6,737,244,544
Pension benefit obligation	16,594,800,000	6,877,342,321
Over(under)funded pension benefit	<u>\$ (2,731,100,000)</u>	<u>\$ (140,097,767)</u>

Ten-year historical trend information showing KTRS and CERS progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2003 comprehensive annual financial reports.

As the Board is only one of several employers participating in the plan, it is not practical to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan assets.

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 8 - CONTINGENCIES

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced, or to refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. The Board and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress, except as described elsewhere in this report.

NOTE 9 - INSURANCE AND RELATED ACTIVITIES

The district is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The district has purchased certain policies which are retrospectively rated which includes worker's compensation insurance.

NOTE 10- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual Premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; risk has not been transferred to such fund. In addition,

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 10- RISK MANAGEMENT (cont'd)

the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past several fiscal years.

NOTE 11 - ACCUMULATED SICK LEAVE

Upon retirement from the school system, an employee will receive from the Board an amount equal to 30% of the value of accumulated sick leave. At June 30, 2004, this amount totaled \$1,299,773 for those employees eligible to retire and is reflected as a liability on the government-wide financial statements. For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave" in the general fund. The noncurrent portion of the liability is not reported.

NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES

The following schedule reflects the outstanding balances of the inter-fund accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Activity Funds	\$15,190

NOTE 13 - DEFICIT OPERATING/ FUND BALANCES

There were no funds operating at a deficit fund balance at June 30, 2004. However, several funds had operations that resulted in a current year deficit of revenues over expenditures resulting in the following reductions of fund balance:

Construction Funds	223,416
Activity Funds:	
East Jessamine High School	33,960
West Jessamine High School	26,247
West Jessamine Middle School	386
Nicholasville Elementary School	15,169
Rosenwald-Dunbar Elementary	2,399

**JESSAMINE COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 14 - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special	Matching	\$ 77,882

NOTE 15- COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss.

NOTE 16 - SCHEDULE OF EXPENDITURES OF FEDERAL REPORTS

The following are relevant to the schedule of expenditures of federal reports:

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2004, the District received food commodities totaling \$142,357.

NOTE 17 - STATE ON-BEHALF PAYMENTS

The Board recognized \$5,836,945 in revenue for on-behalf payments made by the State for fringe benefits and pension plan contributions made to KTRS as described in NOTE 7. Corresponding expenses of the same amount were also recognized.

NOTE 18 - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were made to the beginning balance of the accrued sick leave liability in the amount of \$351,928 to properly reflect the GASB 34 implementation of liabilities on the full accrual basis and (\$14,551) to record the refund of prior period expenses.

JESSAMINE COUNTY BOARD OF EDUCATION
SUPPLEMENTAL SCHEDULES

**JESSAMINE COUNTY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

	SEEK CAPITAL OUTLAY	FSPK BUILDING FUND	CONSTRUCTION FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 0	\$ 2,582,251	\$ 36,857	\$ 516	\$ 2,619,624
Investments	0	0	0	0	0
Accounts Receivable					
Taxes - current	0	56,965	0	0	56,965
Taxes - delinquent	0	0	0	0	0
Accounts	0	0	0	0	0
Intergovernmental - State	0	0	0	0	0
Intergovernmental - Federal	0	0	0	0	0
Prepaid Expenses	0	289,933	0	0	289,933
Amounts to be provided for retirement of general long-term obligations	0	0	0	0	0
TOTAL ASSETS	\$ 0	\$ 2,929,149	\$ 36,857	\$ 516	\$ 2,966,522
LIABILITIES:					
Accounts payable	\$ 0	\$ 0	\$ 32,211	\$ 0	\$ 32,211
Accrued payroll					0
and related expenses	0	0	0	0	0
Deferred revenues	0	0	4,646	0	4,646
Obligation under capital leases	0	0	0	0	0
TOTAL LIABILITIES	0	0	36,857	0	36,857
FUND BALANCES:					
Reserved	0	1,164,082	0	516	1,164,598
Unreserved	0	1,765,067	0	0	1,765,067
TOTAL FUND BALANCES	0	2,929,149	0	516	2,929,665
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 2,929,149	\$ 36,857	\$ 516	\$ 2,966,522

**JESSAMINE COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	SEEK CAPITAL OUTLAY	FSPK BUILDING FUND	CONSTRUCTION FUNDS	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 0	\$ 3,509,459	\$ 0	\$ 0	\$ 3,509,459
Motor vehicle	0	206,712	0	0	206,712
Utilities	0	0	0	0	0
Distilled spirits	0	27,120	0	0	27,120
Other	0	0	0	0	0
Tuition and fees	0	0	0	0	0
Earnings on investments	1,181	24,027	1,365	471	27,044
Student activities	0	0	0	0	0
Community service activities	0	0	0	0	0
Other local revenues	0	955	0	0	955
Intergovernmental - State	616,790	654,515	0	536,243	1,807,548
Intergovernmental - Indirect federal	0	0	0	0	0
TOTAL REVENUES	617,971	4,422,788	1,365	536,714	5,578,838
EXPENDITURES:					
Current:					
Instruction:	0	0	0	0	0
Support Services:					
Student	0	0	0	0	0
Instructional staff	0	0	0	0	0
District administration	0	0	0	0	0
School administration	0	0	0	0	0
Business	0	0	0	0	0
Plant operations and maintenance	149,689	0	0	0	149,689
Student transportation	0	0	0	0	0
Central office	0	0	0	0	0
Non-instructional	0	0	0	0	0
Facilities acquisition and construction	0	0	1,140,253	0	1,140,253
Debt service	468,282	2,050,875	0	536,274	3,055,431
Other	0	0	0	0	0
TOTAL EXPENDITURES	617,971	2,050,875	1,140,253	536,274	4,345,373
Excess (Deficit) of Revenues over Expenditures	0	2,371,913	(1,138,888)	440	1,233,465
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets/bonds	0	0	0	0	0
Operating transfers in	0	0	915,472	3,512,496	4,427,968
Operating transfers out	0	(915,472)	0	(3,512,496)	(4,427,968)
TOTAL OTHER FINANCING SOURCES (USES):	0	(915,472)	915,472	0	0
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	1,456,441	(223,416)	440	1,233,465
Fund balance June 30, 2003	0	1,472,708	209,493	76	1,682,277
Prior period adjustment	0	0	13,923	0	13,923
Fund balance June 30, 2003, restated	0	1,472,708	223,416	\$ 76	\$ 1,696,200
Fund balance June 30, 2004	\$ 0	\$ 2,929,149	\$ 0	\$ 516	\$ 2,929,665

**JESSAMINE COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	SERIES OF DECEMBER 1 1993	SERIES OF JANUARY 1, 1994	SERIES OF JUNE 1, 1994 (RFND)	SERIES OF JANUARY 1, 1995	SERIES OF JANUARY 1, 1996	SERIES OF JANUARY 1, 1996 (RFND)	SERIES OF DECEMBER 1 1997	SERIES OF APRIL 1, 1998	SERIES OF DECEMBER 1 1998	SERIES OF AUGUST 1 1999	SERIES OF JANUARY 1 2000	SERIES OF SECOND 2000	SERIES OF MARCH 1 2001	SERIES OF MAY 1 2002	SERIES OF AUGUST 15 2002	EPA LOAN	TOTALS
REVENUES:																	
Earnings on investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21	\$ 0	\$ 0	\$ 450	\$ 0	\$ 0	\$ 0	\$ 471
Intergovernmental - State	37,823	0	0	0	22,060	116,365	0	99,536	0	150,368	0	0	0	0	110,091	0	536,243
TOTAL REVENUES	37,823	0	0	0	22,060	116,365	0	99,536	0	150,389	0	0	450	0	110,091	0	536,714
EXPENDITURES:																	
Principal	35,000	205,907	30,000	32,454	15,000	100,000	36,673	305,000	43,239	175,000	79,730	69,495	90,000	25,000	730,000	10,490	1,982,988
Interest	24,000	9,573	405,020	4,613	590,937	16,365	8,537	154,690	10,975	343,299	30,906	26,845	315,959	85,757	38,275	0	2,065,751
Other fees	0	0	0	0	0	0	0	0	0	10	0	0	21	0	0	0	31
TOTAL EXPENDITURES	59,000	215,480	435,020	37,067	605,937	116,365	45,210	459,690	54,214	518,309	110,636	96,340	405,980	110,757	768,275	10,490	4,048,770
(DEFICIT) OF REVENUES OVER DISBURSEMENTS	\$ (21,177)	\$ (215,480)	\$ (435,020)	\$ (37,067)	\$ (583,877)	\$ 0	\$ (45,210)	\$ (360,154)	\$ (54,214)	\$ (367,920)	\$ (110,636)	\$ (96,340)	\$ (405,530)	\$ (110,757)	\$ (658,184)	\$ (10,490)	\$ (3,512,056)
OTHER FINANCING SOURCES(USES)																	
Proceeds from bond sales	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Operating transfers in	21,177	215,480	435,020	37,067	583,877	0	45,210	360,154	54,214	367,931	110,636	96,340	405,959	110,757	658,184	10,490	3,512,496
Operating transfers out	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER FINANCING	21,177	215,480	435,020	37,067	583,877	0	45,210	360,154	54,214	367,931	110,636	96,340	405,959	110,757	658,184	10,490	3,512,496
Excess(Deficit) of Revenues and Other financing sources over expenditures and other financing uses	0	0	0	0	0	0	0	0	0	11	0	0	429	0	0	0	440
FUND BALANCE - June 30, 2003	0	0	64	0	0	0	0	0	0	12	0	0	0	0	0	0	76
FUND BALANCE - June 30, 2004	\$ 0	\$ 0	\$ 64	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23	\$ 0	\$ 0	\$ 429	\$ 0	\$ 0	\$ 0	\$ 516

**JESSAMINE COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF RECEIPTS AND DISBURSEMENTS
SCHOOL ACTIVITIES FUND
Year Ended June 30, 2004**

	Cash Balances June 30, 2003	Receipts	Disbursements	Cash Balances June 30, 2004	Fund Balances June 30, 2003	Accounts Receivable June 30, 2004	Accounts Payable June 30, 2004	Net Effect of Change in Accounting Principle	Fund Balances June 30, 2004
West Jessamine Co. H.S.	\$ 49,544	\$ 283,899	\$ 301,504	\$ 31,939	\$ 48,259	\$ 0	\$ 9,927	\$ 1,285	\$ 22,012
East Jessamine Co. H.S.	96,348	214,617	247,542	63,423	95,495	2,000	3,888	853	61,535
The Providence School	7,394	5,525	4,276	8,643	7,503	0	0	(109)	8,643
W. Jessamine Middle	55,599	208,541	213,306	50,834	50,071	0	1,149	5,528	49,685
E. Jessamine Middle	47,945	193,931	189,683	52,193	48,100	1,516	491	(155)	53,218
Brookside Elementary	30,020	36,087	35,811	30,296	28,661	61	86	1,359	30,271
Jessamine Early Learning Village	31,308	59,558	57,202	33,664	31,728	952	1,214	(420)	33,402
Nicholasville Elementary	29,023	23,358	36,629	15,752	28,434	0	2,487	589	13,265
Rosenwald-Dunbar Elem.	40,192	54,923	57,098	38,017	40,220	64	260	(28)	37,821
Warner Elementary	15,293	23,166	18,981	19,478	14,169	0	954	1,124	18,524
Wilmore Elementary	14,361	50,814	47,046	18,129	14,090	0	783	271	17,346
	<u>\$ 417,027</u>	<u>\$ 1,154,419</u>	<u>\$ 1,209,078</u>	<u>\$ 362,368</u>	<u>\$ 406,730</u>	<u>\$ 4,593</u>	<u>\$ 21,239</u>	<u>\$ 10,297</u>	<u>\$ 345,722</u>

**JESSAMINE COUNTY BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
WEST JESSAMINE COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2004**

ACCOUNTS:	Cash Balances June 30, 2003	Receipts	Disbursements	Cash Balances June 30, 2004	Fund Balances June 30, 2003	Accounts Receivable June 30, 2004	Accounts Payable June 30, 2004	Net Effect of Change in Accounting Principle	Fund Balances June 30, 2004
Aggie	1,380	0	1,380	0	1,380	0	0	0	0
Agriculture	0	1,785	0	1,785	0	0	0	0	1,785
Art Club	0	1,858	735	1,123	0	0	0	(0)	1,123
Athletics - General	66	10,523	10,040	549	647	0	1,424	(581)	(875)
Athletics - Participation Fee	0	6,315	6,211	104	0	0	0	0	104
AV - Lath	1,764	145	945	964	1,764	0	0	(0)	964
BBSK	74	0	74	0	74	0	0	0	0
Band	0	472	472	0	0	0	0	0	0
Baseball	0	1,846	1,845	1	0	0	0	0	1
Beta	1,515	7,067	7,096	1,486	1,515	0	0	(0)	1,486
Bookstore	3,690	282	2,288	1,684	3,690	0	0	0	1,684
Boys Basketball	0	14,632	14,622	10	0	0	0	0	10
Boys Soccer	0	2,877	2,336	541	0	0	0	0	541
Business	329	451	779	1	329	0	0	0	1
C Connect	0	208	208	0	0	0	0	0	0
CCBA	1,231	0	1,231	0	1,231	0	0	0	0
Cheerleaders	0	0	0	0	3,013	0	0	(3,013)	0
Class	4,965	7,734	11,980	719	3,966	0	599	999	120
Coke	5,471	0	5,471	0	3,471	0	0	2,000	0
Colt Care	167	0	0	167	167	0	0	(0)	167
Concessions	0	5,582	5,571	11	0	0	0	0	11
Dance	3	0	3	0	3	0	0	0	0
Drafting	300	470	690	80	301	0	0	(1)	80
Drama	359	886	1,113	132	359	0	0	0	132
FBLA	275	243	214	304	275	0	0	(0)	304
FCS	0	4,043	3,975	68	0	0	0	0	68
FFA	4,936	14,148	18,492	592	3,951	0	0	985	592
FHA/FCCLA	584	1,808	2,392	0	584	0	0	0	0
F Lang	13	7,374	7,387	0	13	0	0	(0)	0
Football	0	17,063	17,019	44	0	0	0	0	44
GBSK	1,034	0	1,034	0	1,034	0	0	0	0
General	649	55,997	56,193	453	611	0	258	38	195
Girls Basketball	0	3,798	3,795	3	0	0	0	0	3
Girls Soccer	0	7,408	6,930	478	0	0	0	0	478
Graphics	1,265	3,955	4,352	868	1,265	0	0	(0)	868
Key Club	350	1,151	679	822	350	0	0	0	822
Library	289	8	249	48	289	0	10	0	38
Math	431	939	607	763	431	0	0	(0)	763
Metals	1,326	510	1,640	196	1,326	0	0	0	196
Musical	575	750	1,256	69	575	0	0	0	69
Orchestra	848	0	672	176	848	0	0	0	176
Pride	82	299	258	123	381	0	0	(299)	123
RCF	0	3,048	3,004	44	0	0	0	0	44
S / Choir	1,687	2,454	3,802	339	1,687	0	0	(0)	339
Science	1,026	6,431	6,585	872	1,026	0	0	0	872
Seed	0	8,236	8,236	0	0	0	0	0	0
Soccer Renov.	0	3,257	3,257	0	0	0	0	0	0
Softball	0	4,723	3,989	734	0	0	0	0	734
Sports	242	37,010	37,252	0	242	0	0	0	0
Technology	0	60	0	60	0	0	0	(0)	60
Track	0	350	300	50	0	0	0	0	50
Vending	658	578	1,227	9	658	0	0	(0)	9
VICA	1,703	0	1,172	531	1,703	0	0	0	531
Vo - Ag	0	14,101	12,156	1,945	52	0	855	(52)	1,090
Volleyball	0	1,150	1,132	18	0	0	0	0	18
Wood	1,276	509	1,366	419	1,276	0	0	1	419
Yearbook	7,847	19,365	15,792	11,420	6,639	0	6,399	1,208	5,021
TOTALS	\$ 49,544	\$ 283,899	\$ 301,504	\$ 31,939	\$ 48,258	\$ 0	\$ 9,927	\$ 1,286	\$ 22,012

**JESSAMINE COUNTY BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
THE PROVIDENCE SCHOOL
FOR THE YEAR ENDED JUNE 30, 2004**

<u>ACCOUNTS:</u>	<u>Cash Balances June 30, 2003</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balances June 30, 2004</u>	<u>Fund Balances June 30, 2003</u>	<u>Accounts Receivable June 30, 2004</u>	<u>Accounts Payable June 30, 2004</u>	<u>Net Effect of Change in Accounting Principle</u>	<u>Fund Balances June 30, 2004</u>
General	\$ 595	\$ 1,228	\$ 1,365	\$ 458	\$ 616	\$ 0	\$ 0	\$ (21)	\$ 458
Vending - Students	5,206	1,906	1,283	5,829	5,258	0	0	(52)	5,829
Vending - Teachers	252	883	403	732	288	0	0	(36)	732
Angel Fund	1,341	608	1,000	949	1,341	0	0	0	949
Utilities Incentive	0	900	225	675	0	0	0	0	675
TOTALS	\$ <u>7,394</u>	\$ <u>5,525</u>	\$ <u>4,276</u>	\$ <u>8,643</u>	\$ <u>7,503</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(109)</u>	\$ <u>8,643</u>

**JESSAMINE COUNTY BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
EAST JESSAMINE COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2004**

ACCOUNTS:	Cash Balances June 30, 2003	Receipts	Disbursements	Cash Balances June 30, 2004	Fund Balance June 30, 2003	Accounts Receivable June 30, 2004	Accounts Payable June 30, 2004	Net Effect of Change in Accounting Principle	Fund Balances June 30, 2004
Art Club	1,128	858	1,044	942	1,128	0	0	0	942
Athletics - General	7,987	32,099	15,357	24,729	6,973	0	1,835	1,014	22,894
B-Cheer	1,069	5,566	6,327	308	1,069	0	0	0	308
Band	200	0	0	200	200	0	0	0	200
Baseball	0	2,341	3,667	(1,326)	0	0	0	0	(1,326)
Basketball	0	9,507	18,641	(9,134)	0	0	0	0	(9,134)
Beta	1,082	6,752	7,685	149	1,082	0	0	0	149
Boosters	2,865	15,348	17,582	631	2,865	0	0	0	631
Business	637	3,050	3,429	258	637	0	0	0	258
Chorus	4,639	12,054	16,548	145	4,639	0	0	0	145
Class	3,317	6,132	7,285	2,164	3,317	0	0	0	2,164
Clubs	3,947	14,002	15,754	2,195	3,947	0	0	0	2,195
Coke Money	10,530	700	11,085	145	10,530	2,000	0	0	2,145
Contingency Account	(181)	2,687	2,038	468	(181)	0	0	0	468
Cross Country	0	160	1,297	(1,137)	0	0	0	0	(1,137)
Dance Team	1,990	10,664	12,616	38	1,990	0	0	0	38
Departments	10,454	11,626	13,591	8,489	10,454	0	0	0	8,489
Donaldson Donation	1,000	1,300	1,000	1,300	1,000	0	0	0	1,300
Drivers Ed	2,484	0	2,484	0	2,484	0	0	0	0
EJHS Scholarship	438	2,825	650	2,613	438	0	0	0	2,613
Football	0	23,867	21,190	2,677	0	0	0	0	2,677
General	14,831	18,068	24,146	8,753	14,991	0	2,053	(160)	6,700
Golf	0	0	533	(533)	0	0	0	0	(533)
Graduation/Weigle	651	2,400	1,990	1,061	651	0	0	0	1,061
Incentive Account	0	2,075	1,775	300	0	0	0	0	300
Library	556	679	624	611	556	0	0	0	611
Lockers	1,568	2,098	3,619	47	1,568	0	0	0	47
Parking	402	1,653	1,660	395	402	0	0	0	395
Soccer	0	3,855	6,649	(2,794)	0	0	0	0	(2,794)
Softball	0	655	2,508	(1,853)	0	0	0	0	(1,853)
Span Nat'l Honor	362	1,287	1,547	102	362	0	0	0	102
Student Senate	236	2,459	2,579	116	236	0	0	0	116
Swim	0	1,869	3,296	(1,427)	0	0	0	0	(1,427)
Teachers	3,067	1,680	3,564	1,183	3,067	0	0	0	1,183
Textbook	12,616	6,659	2,560	16,715	12,616	0	0	0	16,715
Track	0	72	1,285	(1,213)	0	0	0	0	(1,213)
Training	285	0	0	285	285	0	0	0	285
Vendor	1,482	2,656	2,754	1,384	1,482	0	0	0	1,384
Volleyball	0	234	1,317	(1,083)	0	0	0	0	(1,083)
Yearbook	6,706	4,680	5,866	5,520	6,706	0	0	0	5,520
TOTALS	\$ 96,348	\$ 214,617	\$ 247,542	\$ 63,423	\$ 95,494	\$ 2,000	\$ 3,888	\$ 854	\$ 61,535

**JESSAMINE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPT. OF AGRICULTURE</u>			
Passed Through State Dept. of Education:			
National School Lunch	10.555	0575-04-02	\$ 885,944
	10.555	0575-04-08	31,597
School Breakfast	10.553	0576-02-05	275,513
Passed Through State Dept. of Agriculture:			
Food Distribution (In-Kind Commodities)	10.550		<u>142,357</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>1,335,411</u>
<u>U.S. DEPT. OF EDUCATION</u>			
Passed Through State Dept. of Education:			
Adult Ed Basic	84.002		69,142
Title I	84.010	0351-03-02 0351-04-01	1,054,621
Migrant Education Basic	84.011	0352-03-02 0352-04-02	77,455
IDEA B	84.027	0581-03-02 0581-04-02	1,041,297
Vocational Education	84.048	0462-03-32	43,152
Preschool - Early Childhood	84.173	0587-03-02 0587-04-02	58,038
Title IV - Safe & Drug Free Schools	84.186	0590-03-02	40,960
Even Start	84.213	0588-03-02 0588-04-02	75,690
Carol M. White Physical Education	84.215		309,294
Tech Prep Education	84.243		44,744
Community Education	84.287		41,510
Title VI	84.298	0533-03-02 0533-04-02	44,980
Technology Literacy Challenge	84.318	0736-03-02 0736-04-02	179,503
Spanish Teacher Academy	84.330	0537-03-02	12,553
Title III	84.365	0520-03-02 0520-04-02	8,396
Title II	84.367	0710-03-03	<u>429,747</u>
TOTAL U.S. DEPT. OF EDUCATION			<u>3,531,082</u>
<u>U.S. DEPT. OF HEALTH and HUMAN SERVICES</u>			
Passed Through State Dept. of Education:			
Title V	93.235		25,071
Developmental Disabilities Basic Support	93.630		9,358
TOTAL U.S. DEPT. OF NATIONAL & COMMUNITY SERVICE			<u>34,429</u>
<u>U.S. DEPT. OF LABOR</u>			
CKTC/ Adult Education Project	17.267		<u>21,976</u>
<u>U.S. DEPT. OF COMMERCE</u>			
Passed Through State Dept. of Education:			
Pride	11.42		<u>4,552</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 4,927,450</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Kentucky State Committee For School District Audits
Members of the Board of Education
Jessamine County School District

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jessamine County School Board (District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Procedures for Auditing Local Districts Fiscal Records.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we also noted certain immaterial instances of noncompliance, that we have reported to management in a separate letter dated October 15, 2004.

In addition, the results of our tests disclosed an instance of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements. See finding number **04-01** in the Schedule of Findings and Questioned Costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated October 15, 2004.

This report is intended solely for the information and use of the District, management, others within the organization, and federal awarding agencies and the Kentucky Department of Education and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 15, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Kentucky State Committee For School District Audits
Members of the Board of Education
Jessamine County School Board
Paris, Kentucky

Compliance

We have audited the compliance of the Jessamine County School Board (Board) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Board's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item **04-2**.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and the Kentucky Department of Education and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 15, 2004

**JESSAMINE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

A. SUMMARY RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Jessamine County Board of Education.
2. No material weaknesses were identified during the audit of financial statements.
2. No instances of noncompliance material to the financial statements of the Board were disclosed during the audit.
3. No material weaknesses were identified during the audit of the major federal award programs.
5. Reportable conditions were identified that are not considered to be material weaknesses during the audit of the major federal awards.
6. The auditor's report on compliance for the major federal award programs for the Board expresses an unqualified opinion.
7. Audit findings relative to major federal award programs for the Board were disclosed during the audit.
8. The programs tested as major programs included:
 - U.S. Department of Education, Chapter I, CFDA No. 84.010
 - U.S. Department of Agriculture, National School Lunch, CFDA No. 10.555.
 - U.S. Department of Education, IDEA B, CFDA No. 84.027
9. The threshold for distinguishing Types A and B programs was \$300,000.
10. Jessamine County Board of Education was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

STATE AUDIT REQUIREMENTS

- 04-1** Condition: Employee contracts as required by KRS 161.011 were missing from five employees' files.

Response: The Jessamine County Schools Personnel Office has the following practices in place to help ensure return of signed contracts for employment: (1) Send a self-addressed stamped envelope to persons whose contracts and letters are mailed; (2) Letters and contracts sent to each building principal, to distribute to employees, to help ensure return of signed contracts; and (3) Board records and copies of employment letters show these people are employed.

**JESSAMINE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF AGRICULTURE

04-2 National School Lunch Program - CFDA 10.555

Statement of Condition: The Food Service program internal controls over cash disbursements failed to require purchase order preparation prior to two purchases (check #'s 53968 and 51819).

Criteria: The NSLP program requires proper approval of purchases which is to be evidenced with a signed purchase order prior to making the purchase.

Effect of Condition: The lack of proper safeguards over cash disbursements could lead to misappropriation of federal funds.

Recommendation: We recommend the Food Service Director instruct personnel to submit purchase orders for approval prior to making purchases.

Response: Check #53968 was purchase ordered by Jessamine County Schools Maintenance Department Director before purchase of kitchen hood inspections, but later decided this was a Food Service responsibility after purchase, thereby necessitating a purchase order by Food Service after the invoice date. Food Service Director will make vendors aware before making maintenance purchases for Food Service program to prevent future problems.

Check #51819 was purchase ordered by Food Service after invoice due to repair vendor mistakenly believing equipment was under warranty. Food Service Director will make vendors aware before any repair is undertaken, warranty must be checked and estimate given before repair can be made.

**JESSAMINE COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2004**

STATE AUDIT REQUIREMENTS

03-01 Condition: Employee contracts as required by KRS 161.011 were missing from five employees' files.

Status: The finding was repeated during the current period.

CORRECTIVE ACTION PLAN

October 15, 2004

Kentucky Department of Education

Jessamine County Board of Education respectfully submits the following corrective action plan for the year ended June 30, 2003.

Name and address of independent public accounting firm: Summers, McCrary and Sparks, PSC; 141 Prosperous Place Ste. 21; Lexington, KY 40509

Audit Period: June 30, 2003

The findings from the June 30, 2003 schedule of findings and questioned costs are discussed below.

Management Points - Board

Cash Disbursements

Condition: When testing cash disbursements, we noted three invoices were paid with no purchase orders on file, one purchase order was prepared after invoice was received, one invoice was paid without approval and one invoice could not be found.

Action Taken: An increased emphasis on procedural compliance as to appropriate approval and documentation of the appropriate approval will continue. Procedure not required in the past has become required. The District will continue to strengthen controls regarding supporting documentation for cash disbursements.

Condition: The financial information as reported on the Report and Claim for Reimbursement, form SCN-D2 for June 2004 did not agree with the Board's financial records. (Accounts payable per balance sheet = \$695 (debit); unpaid bills per D2 = \$7,767)

Action Taken: The monthly Report and Claim for Reimbursement will be reconciled to the Board accounting records.

Findings - Financial Statement Audit

State Audit Requirements

Reportable Condition: The Board needs to strengthen and review the existing controls over the supporting documents for payroll. When testing payroll, five employees' contracts could not be found for our review.

Action Taken: The Jessamine County Schools Personnel Office has the following practices in place to help ensure return of signed contracts for employment: (1) Send a self-addressed stampen envelope to persons whose contracts and letters are mailed; (2) Letters and contracts sent to each building principal, to distribute to employees, to help ensure return of signed contracts; and (3) Board records and copies of employment letters show these people are employed.

Page Two

Findings and Questioned Costs - Major Federal Award Programs Audit

Reportable Condition: The Food Service program internal controls over cash disbursements failed to require purchase order preparation prior to two purchases (check #'s 53968 and 51819).

Action Taken: Food Service Director will make vendors aware before making maintenance purchases for Food Service program to prevent future problems. Food Service Director will make vendors aware before any repair is undertaken, warranty must be checked and estimate given before repair can be made.

If the Kentucky Department of Education has questions regarding this plan, please call Tim Lemaster , Finance Director of Jessamine County Board of Education, at 859/885-4179.

Sincerely yours,

Jessamine County Board of Education

Jessamine County Board of Education

Jessamine County Board of Education
Nicholasville, Kentucky

In planning and performing our audit of the financial statements of Jessamine County Board of Education for the year ended June 30, 2004, we considered the Board's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 15, 2004 on the financial statements of the Jessamine County Board of Education.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Board personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 15, 2004

**JESSAMINE COUNTY BOARD OF EDUCATION
MANAGEMENT POINTS
JUNE 30, 2004**

BOARD

1. Cash Disbursements

Comment: When testing cash disbursements, we noted three invoices were paid with no purchase orders on file, one purchase order was prepared after invoice was received, one invoice was paid without approval and one invoice could not be found.

Recommendation: The Board needs to strengthen and review the existing controls over the supporting documents for cash disbursements.

Response: An increased emphasis on procedural compliance as to appropriate approval and documentation of the appropriate approval will continue. Procedure not required in the past has become required. The District will continue to strengthen controls regarding supporting documentation for cash disbursements.

2. Food Service

Comment: The financial information as reported on the Report and Claim for Reimbursement, form SCN-D2 for June 2004 did not agree with the Board's financial records. (Accounts payable per balance sheet = \$695 (debit); unpaid bills per D2 = \$7,767)

Recommendation: We recommend the amounts reported on the Report and Claim for Reimbursement forms be reconciled each month to the Board's accounting records.

Response: The monthly Report and Claim for Reimbursement will be reconciled to the Board accounting records.

**JESSAMINE COUNTY BOARD OF EDUCATION
MANAGEMENT POINTS
JUNE 30, 2004
ACTIVITY FUNDS**

EAST JESSAMINE HIGH SCHOOL

Comment: While reviewing the Monthly Financial Reports (Form F-SA-14), it came to our attention that these reports were not always completed in a timely manner.

Recommendation: The Bookkeeper and Principal should review the "Financial Reports" section, item no. 1, of the UPASAF, which states that the school treasurer shall prepare the Monthly Financial Report (Form F-SA-14) at the close of each month.

Comment: During our review of cash receipts, it came to our attention that teachers are not using the Multiple Receipt Form (Form F-SA-6).

Recommendation: The Bookkeeper and Principal should review the "Handling Cash" procedures section, item no. 1, of the UPASAF, which states teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money. A copy of Form F-SA-6 or a copy of the pre-numbered receipt shall be retained by the teacher/sponsor and a copy shall be given to the school treasurer.

Comment: During our review of ticket sales, we discovered receipts are not being attached to the Report of Ticket Sales (Form F-SA-1) and two events had overages/shortages with no explanation.

Recommendation: The Bookkeeper, Principal, and Athletic Director should review the "Ticket Sales" procedures section, items no. 6 and 8, of the UPASAF, which states reconciliation, explanation of shortages/overages, and signatures are recorded using Form F-SA-1 and the school treasurer shall prepare a receipt and attach a copy to the report.

Comment: Three items were omitted from the Accounts Payable listing on Form F-SA-15B.

Recommendation: The Bookkeeper should review the "Financial Reports" section, items no. 1 and 4, of the UPASAF. Any items that were purchased or expenses that were incurred prior to or on June 30, 2004 for which the school had not yet paid at June 30, should all be listed on the Annual Financial Report (Form F-SA-15B).

Comment: During our review of booster club information, we discovered one club did not turn in a list of officers, one club did not submit a budget, and four clubs did not submit an annual report.

**JESSAMINE COUNTY BOARD OF EDUCATION
MANAGEMENT POINTS
JUNE 30, 2004
ACTIVITY FUNDS**

EAST JESSAMINE HIGH SCHOOL

Recommendation: The Principal and Booster Club organizations should review the "Support/Booster Organizatons" responsibilities section, items no. 2, 3, and 5, of the UPASAF, which state the Booster Clubs shall submit the names of the club officers to the principal at the beginning of the school year, submit an annual booster club budget to the principal within the first thirty days of the school year, and submit an annual financial report to the principal by July 25 for the year ended June 30.

Comment: Several instances were found where Fund Raising Report Form F-SA-2B was not used to reconcile the record of the fund raising activity.

Recommendation: The Principal, Bookkeeper, and Club/Activity Sponsors should review the "Clubs/Activites" section, item no. 5, of the UPASAF, which states that the Fund Raiser Worksheet (Form F-SA-2B) shall be used to reconcile the number of items taken, sold, and returned with money turned in.

Comment: During our review of cash disbursements, we found one Purchase Order (Form F-SA-7) that was dated after the invoice.

Recommendation: The Bookkeeper and Principal should review the "Purchasing" procedures section, item no. 1, of the UPASAF, which states that to initiate a purchase, a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before payment is obligated.

Comment: Most of the athletic activity funds had deficit balances at June 30, 2004. However, the athletic activity fund as a whole had a positive balance at year end.

Recommendation: The Bookkeeper and Principal should review each athletic fund at year end and allocate the general athletic activity funds between the individual funds as appropriate.

WEST JESSAMINE HIGH SCHOOL

Comment: During our review of the Monthly Financial Reports (Form F-SA-14), we found one report that was not completed in a timely manner and one report that did not agree to the reconciliation.

Recommendation: The Bookkeeper and Principal should review the "Financial Reports" section, item no. 1, of the UPASAF, which states that the school treasurer shall prepare the Monthly Financial Report (Form F-SA-14) at the close of each month and the original shall be signed and reviewed for accuracy and reasonableness by the principal.

**JESSAMINE COUNTY BOARD OF EDUCATION
MANAGEMENT POINTS
JUNE 30, 2004
ACTIVITY FUNDS**

WEST JESSAMINE HIGH SCHOOL

Comment: While reviewing athletic ticket sales, it came to our attention that ticket colors are not always being changed for consecutive events and receipts are not being attached to the Report of Ticket Sales (Form F-SA-1).

Recommendation: The Bookkeeper, Principal, and Athletic Director should review the "Ticket Sales" policy section, item no. 2, and the procedures section, item no. 8, of the UPASAF, which state ticket colors shall be changed for consecutive events and the school treasurer shall prepare a receipt and attach a copy to the report.

Comment: During our review of transfers between activity funds, we discovered several transfer forms (Form F-SA-10) not approved by the sponsor. In addition, several account balances were transferred into one new account without completion of a transfer form.

Recommendation: The Principal and Bookkeeper should review the "Transfers" policy section, item no. 1, of the UPASAF, which states that amounts may be transferred between activity funds only by proper completion of a Transfer Form (Form F-SA-10).

Comment: While reviewing booster club information, we discovered one club did not submit an officer listing and none of the clubs submitted annual budgets.

Recommendation: The Principal and Booster Club organizations should review the "Support/Booster Organizations" responsibilities section, items no. 2 and 3, of the UPASAF, which state the Booster Clubs shall submit the names of the club officers to the principal at the beginning of the school year and submit an annual booster club budget to the principal within the first thirty days of the school year.

Comment: Activity Fund Budgets are not being prepared or adopted by the activity funds.

Recommendation: The Bookkeeper and Principal should review the "Activity Fund Budgets" policy section of the UPASAF for requirements on fund budgets. These policies state that each club and organization shall prepare a tentative budget of receipts and expenditures for the next school year on the Activity Fund Budget (Form F-SA-4A). The budgets are due to the principal by April 15.

Comment: During our review of cash receipts, it came to our attention that teachers are not using the Multiple Receipt Form (Form F-SA-6).

**JESSAMINE COUNTY BOARD OF EDUCATION
MANAGEMENT POINTS
JUNE 30, 2004
ACTIVITY FUNDS**

WEST JESSAMINE HIGH SCHOOL

Recommendation: The Bookkeeper and Principal should review the "Handling Cash" procedures section, item no. 1, of the UPASAF, which states teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money. A copy of Form F-SA-6 or a copy of the pre-numbered receipt shall be retained by the teacher/sponsor and a copy shall be given to the school treasurer.

Comment: During our review of cash disbursements, we discovered four payments made without a Purchase Order (Form F-SA-7).

Recommendation: The Bookkeeper and Principal should review the "Purchasing" procedures section, items no. 1 and 3, of the UPASAF, which state to initiate a purchase, a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before payment is obligated and before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice.

THE PROVIDENCE SCHOOL

Comment: Activity Fund Budgets are not being prepared or adopted by the activity funds.

Recommendation: The Bookkeeper and Principal should review the "Activity Fund Budgets" policy section of the UPASAF for requirements on fund budgets. These policies state that each club and organization shall prepare a tentative budget of receipts and expenditures for the next school year on the Activity Fund Budget (Form F-SA-4A). The budgets are due to the principal by April 15.

Comment: During our review of the Monthly Financial Reports (Form F-SA-14), we found one report that was not completed in a timely manner and five reports that did not agree to the reconciliation.

Recommendation: The Bookkeeper and Principal should review the "Financial Reports" section, item no. 1, of the UPASAF, which states that the school treasurer shall prepare the Monthly Financial Report (Form F-SA-14) at the close of each month and the original shall be signed and reviewed for accuracy and reasonableness by the principal.

Comment: One voided check was discovered without the signature line removed.

Recommendation: The Bookkeeper and Principal should review the "Purchasing" procedures, item no. 8, of the UPASAF, which states to void checks print the word VOID across the face of the check and tear the signature portion off.

**JESSAMINE COUNTY BOARD OF EDUCATION
MANAGEMENT POINTS
JUNE 30, 2004
ACTIVITY FUNDS**

THE PROVIDENCE SCHOOL

Comment: During our review of cash disbursements, we discovered one payment made without a vendor/standard invoice.

Recommendation: The Bookkeeper and Principal should review the "Purchasing" procedures section, item no. 3, of the UPASAF, which states each disbursement shall be documented by an original vendor invoice before being processed. If a vendor invoice is not available, the disbursement shall be supported by a standard invoice (Form F-SA-8), which must be signed by the payee.

Comment: While reviewing cash receipts, it came to our attention that deposits are not always made in a timely manner.

Recommendation: The Bookkeeper and Principal should review the "Handling Cash" policy section, item no. 3, of the UPASAF, which states all monies collected should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100.

EAST JESSAMINE MIDDLE SCHOOL

Comment: Activity Fund Budgets are not being prepared or adopted by the activity funds.

Recommendation: The Bookkeeper and Principal should review the "Activity Fund Budgets" policy section of the UPASAF for requirements on fund budgets. These policies state that each club and organization shall prepare a tentative budget of receipts and expenditures for the next school year on the Activity Fund Budget (Form F-SA-4A). The budgets are due to the principal by April 15.

Comment: While reviewing the Monthly Financial Reports (Form F-SA-14), it came to our attention that the reports were not always completed in a timely manner and one report could not be located.

Recommendation: The Bookkeeper and Principal should review the "Financial Reports" section, item no. 1, of the UPASAF, which states that the school treasurer shall prepare the Monthly Financial Report (Form F-SA-14) at the close of each month and a copy should be retained in the files.

Comment: Several instances were found where Fund Raising Report Form F-SA-2B was not used to reconcile the record of the fund raising activity.

**JESSAMINE COUNTY BOARD OF EDUCATION
MANAGEMENT POINTS
JUNE 30, 2004
ACTIVITY FUNDS**

EAST JESSAMINE MIDDLE SCHOOL

Recommendation: The Principal, Bookkeeper, and Club/Activity Sponsors should review the "Clubs/Activities" section, item no. 5, of the UPASAF, which states that the Fund Raiser Worksheet (Form F-SA-2B) shall be used to reconcile the number of items taken, sold, and returned with money turned in.

Comment: While reviewing the forms for Athletic Ticket Sales (Form F-SA-1), we found ticket stubs were not always being attached to the form, several forms were missing the signatures of both the person in charge of sales for the event and the Bookkeeper, and receipts were not being attached to the form. There were also several instances where only the beginning ticket numbers were reported and no other information on the form was completed, including missing ticket stubs, signatures, event information, or reports of the amount of cash collected. In addition, money was collected at one event without using tickets at all.

Recommendation: The Bookkeeper, Principal, and any other persons involved in athletic ticket sales should review the policies and procedures listed in the "Ticket Sales" section of the UPASAF, which state that pre-numbered tickets shall be used for ALL events for which admission is charged and the person in charge records the beginning ticket number and signs the form (Form F-SA-1). All money collected and Form F-SA-1 are returned to the Bookkeeper who verifies the beginning and ending ticket numbers, accounts for the money collected, and signs the form. The Bookkeeper then prepares a receipt and attaches a copy to the form.

Comment: During our review of cash receipts, we found one deposit that was not made in a timely manner and one deposit that was recorded in the wrong activity fund account.

Recommendation: The Bookkeeper and Principal should review the "Handling Cash" policy section, item no. 3, and procedures section, item no. 5, of the UPASAF, which state all monies collected should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100. In addition, the school treasurer shall record receipts in the Internal Account Ledger (Form F-SA-11), as well as in the appropriate Activity Fund Ledger (Form F-SA-12).

Comment: During our review of cash disbursements, one check was found without dual signatures.

**JESSAMINE COUNTY BOARD OF EDUCATION
MANAGEMENT POINTS
JUNE 30, 2004
ACTIVITY FUNDS**

EAST JESSAMINE MIDDLE SCHOOL

Recommendation: The Principal and Bookkeeper should review internal control procedures in place regarding cash disbursements.

Comment: During our review of cash disbursements, we found one Purchase Order (Form F-SA-7) not approved by the principal, three payments made without a Purchase Order, five invoices not approved by the principal, and one payment made without a vendor/standard invoice. In addition, the documentation for two disbursements could not be located for examination.

Recommendation: The Bookkeeper and Principal should review the "Purchasing" procedures section, items no. 1, 3, 4, and 7, of the UPASAF, which state to initiate a purchase, a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before payment is obligated and before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a standard invoice (Form F-SA-8), which must be signed by the payee. The vendor invoice and/or the standard invoice must have the approval and signature of the principal and the faculty sponsor of the activity expending the monies before the payment process can be continued. In addition, the school treasurer shall file all documents for a disbursement together by month, in an organized manner, under "paid invoices".

WEST JESSAMINE MIDDLE SCHOOL

Comment: Fund Raising Report Form F-SA-2B is not being used to reconcile the record of the fund raising activity.

Recommendation: The Principal, Bookkeeper, and Club/Activity Sponsors should review the "Clubs/Activities" section, item no. 5, of the UPASAF, which states that the Fund Raiser Worksheet (Form F-SA-2B) shall be used to reconcile the number of items taken, sold, and returned with money turned in.

Comment: The Inventory Control Worksheet (Form F-SA-5) is not being used to monitor pencil/paper machine sales.

Recommendation: The Bookkeeper should review the "Ticket Sales" procedures section, items no. 6 and 8, of the UPASAF, which state that signatures are recorded using Form F-SA-1 and the school treasurer shall prepare a receipt and attach a copy to the report.

**JESSAMINE COUNTY BOARD OF EDUCATION
MANAGEMENT POINTS
JUNE 30, 2004
ACTIVITY FUNDS**

WILMORE ELEMENTARY

Comment: While reviewing the Monthly Financial Reports (Form F-SA-14), we found two reports were not completed in a timely manner.

Recommendation: The Bookkeeper and Principal should review the "Financial Reports" section, item no. 1, of the UPASAF, which states that the school treasurer shall prepare the Monthly Financial Report (Form F-SA-14) at the close of each month.

Response: The Quicken program was not working properly and transactions had to be reentered making August and September reports late.

Comment: The list of accounts payable and accounts receivable (Form F-SA-15B) was not completed.

Recommendation: The Bookkeeper and Principal should review the "Financial Reports" policy section, item no. 3, which states the school treasurer shall prepare the Annual School Activity Report (Forms F-SA-15A & B) at the end of the school year.

Response: Schedules were subsequently completed.

WARNER ELEMENTARY

NO FINDINGS

ROSENWALD-DUNBAR ELEMENTARY

Comment: One item was omitted from the Accounts Receivable listing on Form F-SA-15B.

Recommendation: The Bookkeeper should review the "Financial Reports" section, items no. 1 and 4, of the UPASAF. All items that were due to the school prior to or on June 30, 2004 for which the school had not yet received at June 30, should be listed on the Annual Financial Report (Form F-SA-15B).

Comment: The petty cash fund is not being maintained as a separate activity fund and therefore does not appear on the Monthly Financial Reports (Form F-SA-14).

Recommendation: The Bookkeeper and Principal should review the "Petty Cash" procedures section, item no. 5, of the UPASAF, which states the petty cash fund shall appear on the Monthly Financial Report (Form F-SA-14).

**JESSAMINE COUNTY BOARD OF EDUCATION
MANAGEMENT POINTS
JUNE 30, 2004
ACTIVITY FUNDS**

BROOKSIDE ELEMENTARY

Comment: During our review of cash disbursements, one check was found without dual signatures.

Recommendation: The Principal and Bookkeeper should review internal control procedures in place regarding cash disbursements.

NICHOLASVILLE ELEMENTARY

Comment: One item was omitted from the Accounts Payable listing on Form F-SA-15B.

Recommendation: The Bookkeeper should review the "Financial Reports" section, items no. 1 and 4, of the UPASAF. Any items that were purchased or expenses that were incurred prior to or on June 30, 2004 for which the school had not yet paid at June 30, should all be listed on the Annual Financial Report (Form F-SA-15B).

Comment: During our review of cash disbursements, we found two Purchase Orders (Form F-SA-7) dated after the invoice date.

Recommendation: The Bookkeeper and Principal should review the "Purchasing" procedures section, item no. 1, of the UPASAF, which states that to initiate a purchase, a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before payment is obligated.

JESSAMINE EARLY LEARNING VILLAGE

Comment: All but one of the Monthly Financial Reports (Form F-SA-14) did not agree to the bank reconciliation. This was due to the reconciliation reports not being run through the correct dates.

Recommendation: The Bookkeeper and Principal should review the "Financial Reports" policy section, item no. 1, of the UPASAF, which states the Monthly Financial Reports (Form F-SA-14) shall be reviewed for accuracy and reasonableness by the principal.

**JESSAMINE COUNTY BOARD OF EDUCATION
MANAGEMENT POINTS
JUNE 30, 2004
ACTIVITY FUNDS**

Response (All findings):

Administration will continue to seek to improve compliance with state *Redbook* and other accepted bookkeeping requirements. School bookkeepers meet with the District Finance Officer for training – usually three times per year. The first meeting in the fall has the particular purpose of reviewing the *Redbook*. More attention from others, such as from booster club officers, athletic directors, gate workers and volunteers, principals and classroom teachers, may be required in order to obtain booster club information and to follow proper procedure for Ticket Sales, Fund-Raising and the use of the Multiple Receipt form. Opportunities for *Redbook* compliance improvement will be evaluated in order to implement the appropriate improvement plan.